

Building Women's Economic and Social Empowerment



Investing in women is said to be a key to development. In this view, providing education, a cow, or the ingredients for a business will result in great things: increases in income, empowerment, social inclusion, and improved mental health.

In this study, IPA researchers studied whether the most vulnerable women could start and sustain small businesses. They evaluated a program by AVSI Uganda, the Women's INcome Generating Support (WINGS) program. WINGS offered extremely poor people basic business skills training, ongoing mentorship, and cash grants with a purchasing power of \$375.

WINGS focused on young people in rural northern Uganda, especially women, who lost nearly everything after 20 years of war. Nearly all livestock were stolen, nearly all homes were destroyed, and farm land become overgrown.

16 months after the grants, WINGS participants doubled their

microenterprise ownership and earnings. Income gains were about five times the cost of the program. But in spite of these economic gains, WINGS had little effect on social integration, health, or empowerment after 16 months.

The message: the poorest women have high returns to cash, training and supervision. Not only can cash-centered programs help the poorest start and sustain microenterprises, but they do so cost-effectively. Moving ahead, there are ways to improve cost-effectiveness, and programs should note that higher incomes alone may not address women's social and personal challenges.

Context

Twenty years of war have left northern Ugandans impoverished. For instance, in 2007, AVSI and two IPA researchers surveyed more than 1300 young men and women aged 14 to 35 in northern Uganda, including several hundred formerly abducted by the rebel Lord's Resistance Army. The evidence, along with program experience in northern Uganda, suggested that programs tended to emphasize social and psychological wounds, even though most people were quite resilient. Meanwhile, programs often ignored young people's top priority: economic recovery.

The research also highlighted huge gender gaps in education

and income. Women tended to be much poorer and vulnerable than men after the war.

In order to help the poorest raise their incomes, in 2009 AVSI identified 120 small villages that were beginning to rebuild. They asked each community to identify the 15 poorest young adults, with an emphasis on women. The resulting 1800 people were age 27, had just 2.8 years of schooling on average, and 86 percent were women. The most common economic activities were farming and casual labor, and they worked about 15 hours a week for a few dollars in income.

Details of the Intervention

WINGS had three core components:

1. *Five days of business skills training*
2. *A cash grant worth \$375 in local purchasing power (\$150 at market exchange rates)*
3. *Regular follow-up by trained community workers.*

WINGS cost \$1,950 per person in local purchasing power parity (PPP) terms. (All dollar figures in this note use PPP values, which are about 2.5 times the market exchange rate.)

All 1800 program participants were guaranteed to receive the program, but not all at once. To evaluate WINGS, AVSI and IPA held public lotteries to randomly assign half of the 120 villages to either Phase 1 or Phase 2.

Program participants living in Phase 1 villages received WINGS in 2009, while those living in Phase 2 villages received WINGS in 2011. By comparing Phase 1 to Phase 2 participants 16 months after the Phase 1 grants—before Phase 2 began—

IPA researchers could estimate the impacts of the program. Participants in Phase 2 villages were a temporary control group.

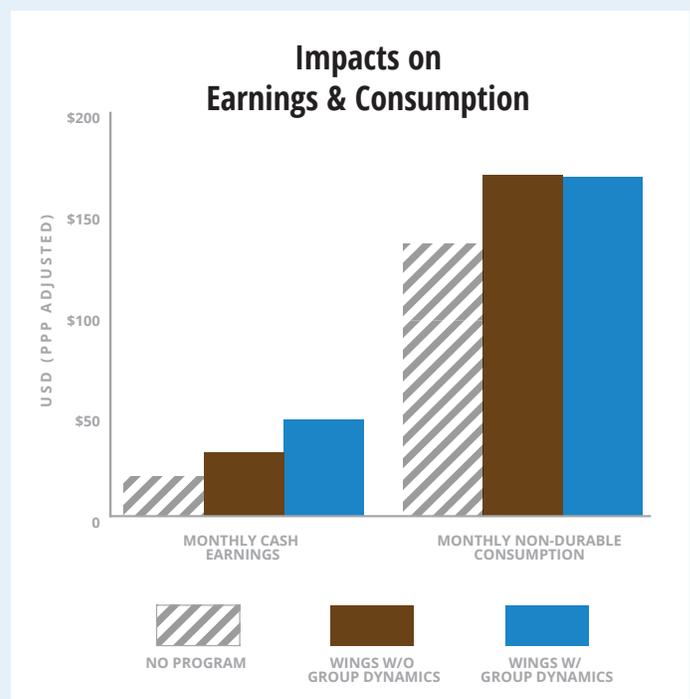
AVSI also encouraged participants in half of the 60 Phase 1 villages to form self-help groups. In these 30 villages, AVSI offered training on running an effective group and starting rotating savings and credit associations. By comparing Phase 1 participants who did and did not get group encouragement, IPA researchers could test whether it built social bonds and improved businesses.

Finally, in Phase 2, AVSI tested the most costly component of WINGS: follow-up visits. These staff visits had two aims: hold participants accountable for investing the grant, and provide advice and mentorship. Visits, however, represented almost half of all program costs. To test their effectiveness, one third of Phase 2 participants received no follow-up, one third received two visits (for accountability only), and the final third received five visits (for mentoring plus accountability).

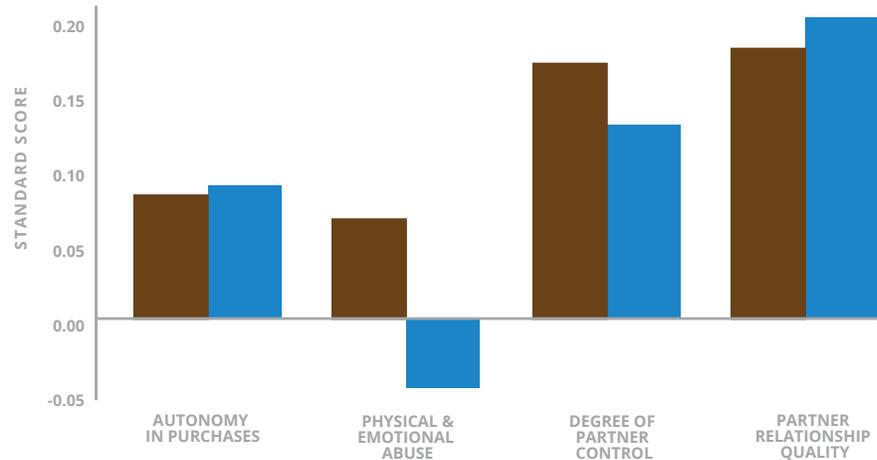
Results

- » **Women start and sustain small enterprises, and increase their employment.** 16 months after participants in Phase 1 villages received the grants, they were twice as likely to have a small non-agricultural business than people in the control villages, usually in petty trading. The probability of doing engagement in such business activities increased from 50 percent in the control group to 99 percent in the treatment group, and hours of work per week rose from 15 to 24 hours. The treatment group also used their grants and profits on livestock, and increased their time raising animals as a result. These employment gains were roughly the same regardless of whether participants in the village were encouraged to form self-help groups.
- » **Earnings rose.** After 16 months cash earnings went from \$19 in the control group, to \$31 with the standard WINGS program, to \$48 when participants received group encouragement. Groups had more earnings partly because they cooperated in agriculture.
- » **Poverty fell steeply.** Our main measure of poverty is how much a household consumes. WINGS led household consumption to rise by a third. The average control household reported just \$135 in consumption per month—less than \$5 a day for an average of 7 adults and children. WINGS increased this by about \$39 a month, or \$1.29 per day. The effect of WINGS was the same regardless of group encouragement, suggesting earnings may exaggerate the benefits of groups.

- » **Access to cheap capital matters.** Inadequate access to capital and credit is one of the main drivers of persistent poverty. As in many rural areas, the poor have high earning potential, but little capital and virtually no ability to borrow. Even with microfinance available, cheap borrowing for long periods is impossible. This is partly why the returns to cash grants are so high. We also see exactly what economic theory predicts: it is those who are the most credit and capital constrained who benefit the most from grants.



Impacts on Women's Empowerment



- » **Should cash grants be supervised? Do the poor need to be held accountable?** Turning to the evaluation of follow-up in Phase 2, in the short run expecting a visit had modest effects at best. People expecting a follow-up visit spent about 5 percent more of their grant on the business and 5 percent less on household items. But within a few weeks the difference cancels out, as they spent slightly more income on household items than the business. Thus there is little effect of expecting a visit on the level or patterns of investment.
- » One year later it is also ambiguous whether follow-up had a positive effect. People who received follow up are more likely to have sustained their small enterprise. But they report no increase in consumption or assets. They do, however, report 21 percent higher cash earnings. In absolute terms this earnings impact is small: about \$3.50 per month, and it is not statistically significant. And yet follow-up represented more than half the program cost.
- » If we focus on the earnings impact (and not consumption), follow-up only narrowly passes a cost-benefit test after one year. In theory, other forms of accountability (such as group monitoring or mobile messaging) could be more cost-effective. This demands more research.
- » **Few secondary effects on health and empowerment.** Unexpectedly, we see no significant impact on physical health or psychological distress, in spite of the economic success enjoyed by beneficiaries. Both treatment and control group report falling psychological distress over time, likely because the overall quality of life in northern Uganda improved over the period. But those who participated in the program did not see more improvement than the general trend. This could be why before-and-after evaluations of programs with no control group falsely find beneficial health effects of anti-poverty programs.
- » The conventional wisdom also assumes that lending to women will enhance their status in the community and household. The impact of the program on community integration is mixed, with some improvements in social support but also an increase in hostility experienced by beneficiaries from the community (discussed further in the full report). Meanwhile, household incomes increase, but we do not see evidence that women become more empowered in terms of household decision-making, independence, gender attitudes, or rates of intimate partner violence. This pattern has been seen before and is commonly referred to as the “impact-paradox.”
- » **Does involving men in the program have health and empowerment impacts for women?** One hypothesis for this “impact-paradox” is that the lack of male partner involvement in the program limited opportunities for changes in gender attitudes and behaviors that would lead to women’s empowerment. We tested this idea in Phase 2.
- » Women in the standard WINGS program participated as individuals; women in the ‘Women Plus’ (W+) variant of the program participated with male partners. W+ participants received the same business training as standard participants, but they participated with partners and spent a few hours learning and practicing communication and joint problem-solving skills.
- » The objective of W+ was to give couples skills to improve their relationships and to encourage the partners to contribute to the business directly and indirectly. We still did not observe an impact on women’s empowerment or physical health, but women in the W+ program did report small but significant gains in relationship skills taught during the training. Partners of W+ participants became better listeners and contributed more to the business than partners of women in the standard program.

Conclusions

Cash-centered microenterprise programs can be highly cost effective.

If the monthly impact of WINGS on consumption is permanent, it adds up to \$465 a year—about a quarter of the program cost. This would mean it pays back in four years. If these benefits persist indefinitely, then the present value of the WINGS program using standard discount rates is nearly \$10,000 per person—five times the program cost. It's unknown whether these impacts last. But the results imply it is one of the most cost-effective programs with rigorous evidence.

The poorest, most capital and credit-constrained women stand to benefit most from microenterprise start-up assistance.

The intervention not only doubled incomes among the very poorest women, but had the largest impact on those with the fewest assets and least access to credit prior to the start of the program. One reason is that, in the absence of the intervention, the women with initial assets and credit access, however meager, manage to start a business and raise their income even without help. This suggests that future interventions ought to target the poorest and most constrained people with capital.

But not all components are necessarily cost-effective.

Some of the most expensive components of WINGS, such as follow up, struggled to pass simple cost-benefit tests. Thus it should be possible to deliver nearly the same anti-poverty

impacts at lower cost. While the research design cannot say with certainty, our assessment is that the grant and business planning was the most impactful element. We recommend more research to understand the effect of common program components, such as supervision and training. We also recommend a research design that allows measurement of 3 to 5 year impacts.

Empowerment is not simply economic empowerment.

Women report benefits to the household in terms of income, consumption, savings, and investment in children, but not greater levels of empowerment.

Moreover, some results from involving men in the program are promising. Involving male partners and training the couples on communication and joint-problem solving led to more partner involvement and support for the business, both direct and indirect, and had a lasting positive impact on the couples' interactions.

Overall, however, this study and others are beginning to show that the relationship between economic improvement and social and psychological outcomes is complex, and that even successful economic empowerment may not translate directly to social empowerment. More research is needed to understand how to change multiple outcomes in cost effective ways.

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THEMES

Peace & Recovery, Ultra Poor, Women

LOCATION & TIMELINE

Northern Uganda (January 2009–August 2012)



We gratefully acknowledge research funding and support from AVSI USA and Uganda, a Vanguard Charitable Trust, the Learning on Gender and Conflict in Africa (LOGiCA) Trust Fund at the World Bank, and Yale University's Institution for Social and Policy Studies

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